The Currency of Customer Trust in Retail

Building trustworthy customer ties means sharing information (even bad), and devoting resources to enhancing consumers' confidence.

By Robin Barrett Wilson and Cindy Waxer

U.S. retailers are facing a crisis of confidence. False advertising, poor online ratings, data privacy breaches, and misleading sustainability claims – all play a part in eroding consumer trust in the retail sector. A Deloitte report that closely examined retail sector trust data, retail earned a consumer trust score 12% lower than other business-to-consumer (B2C) industries, like hospitality and food.

The problem for retailers comes at a time when Americans' trust in institutions has been declining, fueled by consumers' greater access to online information about prices and corporate policies, to younger consumers' expecting more socially responsible behavior, according to a Gallup poll published in February 2023.

Why is this important? The ability – or inability – of a retailer to gain consumers' confidence can have a significant effect on the bottom line. The vast majority (88%) of customers who highly trust a brand will return to buy again, according to Deloitte research. The researchers found that companies (across all industries) that achieve trustworthy status reach higher market values than their competitors.

"Consumer trust is the cornerstone of customer relationships and the foundation of every customer-centric [retailer]," says Blake Morgan, a customer experience futurist and lead author of *The Customer of The Future: 10 Guiding Principles for Winning Tomorrow's Business*.

Yet earning and keeping consumer trust has never been more challenging. Consumers have gained power. Consider:

- It's easier than ever for a shopper to switch loyalties, making the consequences of losing their trust more immediate. Since the pandemic, many have migrated from shopping aisles to online channels with the swipe of a touchscreen.
- Social media platforms make it easy for consumers to air their grievances (and see others' displeasure) in ways that can discourage purchases and tarnish a brand's reputation.
- A new generation of shoppers is demanding that retailers adopt the highest environmental and social standards. Sixty-two percent of Gen Z shoppers prefer to buy from sustainable brands, and 73% are willing to pay more for sustainable products, according to a report from First Insight. Yet retailers are struggling to meet these demands: Deloitte research shows that Gen Z trust is 13% lower than Millennial trust across the retail sector.
- Trust erodes with data breaches, as the challenge of safeguarding customer data only intensifies. Indeed, a 2022 Thales Data Threat Report: Retail Edition finds that 45% of retailers say that the volume, severity, and/or scope of cyberattacks had increased in the previous 12 months.

"Data breaches – especially due to apathy on the brand's part – are a significant threat to consumer trust," says Morgan.

Despite these obstacles, many retailers are finding new and innovative ways to close the trust gap. Openly sharing information and motives with consumers can help to build confidence. Creating a position dedicated to garnering consumer trust, such as a chief trust officer, can set the tone enterprise-wide for more ethical business practices. And less talk, more action around important issues, such as taking a strong stance on environmental, social, and governance (ESG) issues, can provide important proof of a retailer's good intentions.

Together, these three strategies can differentiate retailers from competitors, increase revenue, reduce customer churn, and drive greater long-term success.

1. Make transparency a guiding trust principle.

Like revenue growth and customer acquisition, the path to consumer trust requires a clear and concise plan. For Ashley Reichheld, co-author of *[The Four Factors of Trust: How Organizations Can Earn Lifelong Loyalty](#)*, building trust is based on four key factors: humanity, transparency, capability, and reliability.

Take transparency, for example. "Transparency is when you openly share information and motives in a straightforward and plain way," says Reichheld, who is a principal at Deloitte Consulting LLC. Examples include an online retailer alerting customers to the possibility of shipment delays on its Web site. Or a grocery chain that lets customers know precisely how they're collecting and using customer data.

These acts of disclosure may seem counterintuitive in today's highly competitive retail landscape, but Reichheld says there are trust-boosting benefits to being unambiguous. Her company's research has shown that when customers believe a brand practices such high levels of transparency, they are 1.2 times more likely to promote the brand on social media.

"Companies often don't understand the value of communicating their true motivations," says Reichheld. "But I equate transparency to organizational vulnerability—and that's a good thing. When a brand exposes itself by sharing information that is often withheld in an industry, it signals trust in the consumer to make a fair comparison with competitors."

Morgan says the same transparency rule holds, even if what customers need to know might anger or frustrate them. "Brands need to be honest with customers about the ups-and-downs of their business," she says. "If they make a mistake, they must own it and be transparent about their shortcomings."

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A perfect example is Apple's handling of Taylor Swift's public boycott of its music streaming service back in 2015. The pop singer's outcry was in response to the tech giant's decision to offer a one-month free trial of Apple Music – without paying artists for any of their music during the free trial period. Almost immediately, senior VP of Services, Eddie Cue, copped to the company's misfire in a series of apologetic tweets, which promised that artists would be paid for streaming, "even during customer's free trial period," as The Guardian [reported](#).

A sense of humanity also plays a pivotal role in creating lasting customer bonds, according to Reichheld. By showing empathy and kindness, and treating everyone fairly, Reichheld says that retailers can bring about positive changes in consumer behavior, resulting in significant business gains.

Consider, for example, a pharmacy that voluntarily waives a same-day dispensary fee for a customer who is ill and has unexpectedly run out of medication. More than simply a kind gesture, Deloitte research shows that customers who believe a brand is high in humanity are 1.7 times more likely to defend the brand in the face of criticism.

But acts of humanity must extend beyond customer interactions to have a lasting effect. Many of today's consumers are also employees, and they are deeply invested in how companies value their workers. Indeed, a PwC 2022 [survey](#) on trust reveals that one-third of people believe that treating employees well is an important step to building trust with customers.

"By building trust with your employees, you are earning more trust with your customers," says Morgan. "It is a very positive ecosystem effect."

Similarly, a retailer's stance on ESG issues can also build trust among consumers. Over 60% of respondents said they'd pay more for a product with sustainable packaging, according to a 2020 McKinsey [survey](#). And between 2018 and 2023, the consultancy [found](#) consumers have adjusted their purchasing behavior to emphasize products making ESG-related claims. These products accounted for 56% of all growth in consumer-packaged goods in that period.

"Social responsibility is important," says Morgan. "Customers want brands to take a stand on important social issues and trust them to stand by their commitments to serve their communities and the environment."

For instance, after Russia invaded Ukraine in February 2022, retailers including Canada Goose, H&M, and Fast Retailing, whose brands include Uniqlo, reacted with measures ranging from halting e-commerce sales to Russia to shutting down brick-and-mortar operations across that country, *The New York Times* [reported](#).

These actions make good business sense, given the strong correlation between trust and an organization's ESG posture. A 2022 [report](#) from consultancy Leidar, based on data from 15 global brands including Apple, Disney, Louis Vuitton, Nike, and Microsoft, found "a definitive link between perceived ESG performance and trust" among consumers. It turns out that the higher a brand's perceived ESG performance, the greater a consumer's trust in that brand.

2. Enter the Chief Trust Officer

Recognizing the importance of consumer trust, some organizations are appointing chief trust officers to ensure companies are delivering on their promises and maintaining the highest product, service, and organizational standards.

"A chief trust officer sets the tone for making honest, ethical, and customer-centric decisions," says Morgan. "Customers are tired of being lied to or following unethical brands. Companies are increasingly hiring chief trust officers to show their commitment to ethics and honesty and to have someone leading consumer trust efforts."

In 2023, the role of chief trust officer is most prevalent in the tech sector: Software giants Cisco, SAP, and Salesforce have all added a trust leader to their C-suite rosters. However, until the retail industry embraces this role, consumer trust must be viewed as "an organizational cultural value" that necessitates "everyone in the organization seeing themselves as responsible for instilling and maintaining trust with their customers" according to Denise Lee Yohn, brand leadership expert and author of _What Great Brands Do_.

Data security and privacy are also make-or-break issues of consumer trust.

Like product recalls, greenwashing, and other trust-crisis events, a data breach can significantly affect consumer confidence. Some CEOs are making this connection. In a 2022 PwC survey, 18% of chief executives said they frame cybersecurity as "a way to establish trust with our customers with respect to how we use their data ethically and protect their data."

Besides investing in security, retailers' safeguarding of customer data and their privacy is part of a social contract that engenders trust. "Today's customers are generally willing to share private information with brands if it leads to a more personalized experience," says Morgan. "But in doing that, they trust the brand with data they only want to be used for specific purposes. If a brand shares data or isn't clear about how the data will be used, it can erode consumer trust."

Consumer watchdog organizations are taking note: In early 2023, Canada's Federal Privacy Commissioner Philippe Dufresne published a report criticizing the data-sharing practices of Home Depot, saying the big-box retailer didn't seek proper consent from in-store customers when it shared e-receipt details with Meta Platforms, which operates Facebook. After that report, the retailer told the CBC it had stopped using the data tool.

3. Demonstrate you're a reliable partner to customers, especially when problems arise.

Transparency alone can't bridge today's consumer trust gap. "Capability and reliability are table stakes" when it comes to building trust, according to Reichheld of Deloitte. In this case, capability refers to creating quality products and services, and reliability entails consistently delivering on promises and experiences.

A perfect example of capability and reliability on display is Target's response to a cyberattack during the 2013 holiday season. Cybercriminals managed to steal 40 million of the retail giant's credit and debit records and 70 million customer records. Target's response to the massive data breach was to notify consumers within days of the incident, offer consumers a 10% store discount, launch a telephone hotline for inquiries, and hire an independent, third party to conduct a comprehensive security assessment, as Reuters reported. Although Target's stock price and sales temporarily declined, they recovered before the year was over.

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– Ashley Reichheld, principal at Deloitte Consulting

Meeting customer demands

Establishing the right framework, ensuring strong leadership, fully committing to ESG, and setting stringent data protection policies are all steps retailers can take to build long-lasting trust with today's increasingly demanding consumers.

For those that expertly carry out these strategies, the rewards are plentiful. When consumers have confidence in a brand, they spend more, speak kindly, and are more willing to forgive the occasional misstep. But even the most trusted retailers can't afford to rest on their laurels when it comes to securing lifelong loyalty.

As Reichheld says, "Trust is not something you earn and keep. It's something that you intentionally build and continue to earn over time. Not only does it drive staggeringly better business outcomes, but it creates the kinds of organizations we're proud to be a part of."

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